

# know your pension

For members of the Defined Benefit (DB) Section of the FDR Limited Pension Scheme (the Scheme)

## YOUR PENSION HEADLINES:

DB Section assets valued at £562 million at April 2015

Changes to how much you can save

Pension news

Have you visited the new website yet?

Important information about pension increases

Trustee news

Contact us

Welcome to the 2016 edition of Know Your Pension specifically for members of the DB Section of the Scheme.

It contains all the information you need to know on how the Section has been managed during the Scheme year ending 31 March 2015, as well as the latest pension news.

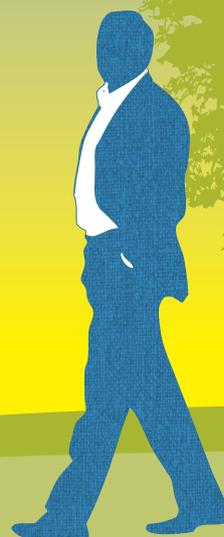
This year's newsletter also includes updated important information about pension increases and member nominated trustees.

Why not spend a few minutes getting to know your pension a bit better?

We hope that you find this newsletter informative; however, if you have any questions about your pension benefits in the DB Section or any of the matters raised in this newsletter, please contact us using the details on the back page.

The Trustees

Sign up for future newsletters by email!  
See page 10 for details.



# ➤ Facts and figures

## Accounts

Below are the details of the DB Section's income and expenditure for the year ended 31 March 2015 and 31 March 2014:

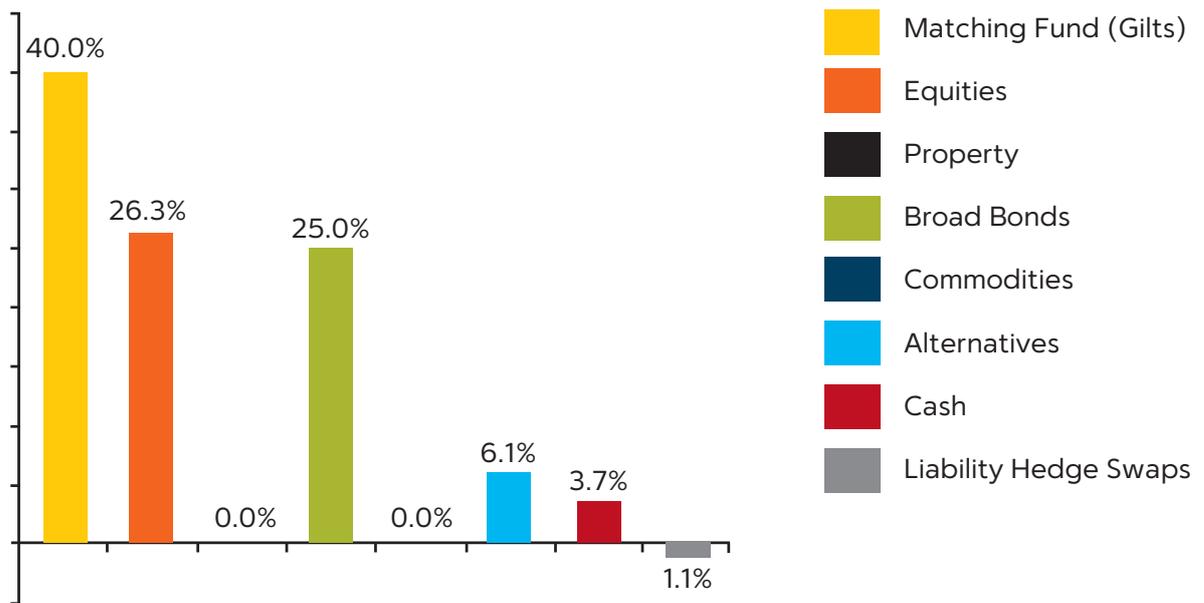
	2014/15	2013/14
<b>▲ Fund value at 1 April</b>	<b>471,661,115</b>	447,471,827
<b>▲ Income</b>		
Employer's normal contributions	97,490	105,316
Employer's other contributions	40,470	124,233
Employer's deficiency contributions	5,000,000	18,749,999
Members' normal contributions	–	–
Members' additional voluntary contributions	–	–
Other income	3,500	71,785
<b>TOTAL INCOME</b>	<b>5,141,460</b>	19,051,333
<b>▲ Expenditure</b>		
Benefits	(11,399,642)	(10,767,262)
Transfers out	(2,016,186)	(1,706,467)
Administration expenses	(827,876)	(1,009,105)
Other payments	–	(70,670)
<b>TOTAL EXPENDITURE</b>	<b>(14,243,704)</b>	(13,553,504)
<b>▲ Investments</b>		
Investment income	7,302,607	258,908
Change in market value of investments	93,759,601	18,777,600
Investment management expenses	(1,261,201)	(345,049)
<b>▲ Net investment gain / loss during the year</b>	<b>99,801,007</b>	18,691,459
<b>▲ Fund value at 31 March</b>	<b>562,359,878</b>	471,661,115



## DB investment strategy

During the 2014/15 Scheme Year the Trustees appointed P-Solve as fiduciary managers for the entire DB investment portfolio. 40% of the assets are invested in a 'matching fund' which aims to match the returns required to meet the Scheme's liabilities by investing in Gilts. The remaining 60% is held in an Investment Fund which aims to outperform the Matching Fund by 3% per annum. The Investment Fund consists of a range of assets including equities, property, bonds, commodities, alternatives, cash and liability hedge swaps. The funds are diversified across a wide range of underlying funds with a range of different investment managers. The Trustees have agreed a tolerance range with P-Solve for each asset type. The actual allocation varies from day to day according to market conditions.

The DB Section's spread of investments at 31 March 2015 is shown below:



## ➤ Facts and figures (continued)

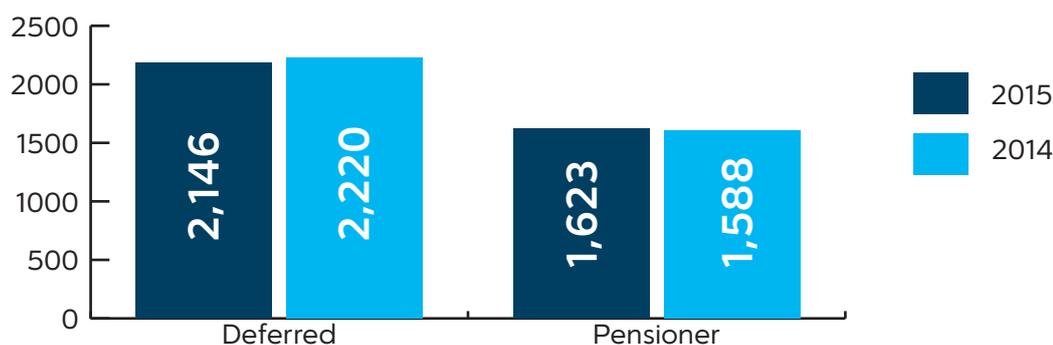
### Investment performance

With the aim of achieving good investment returns for the Scheme funding, the Trustees review the performance of the investment managers on a regular basis and set benchmarks and targets to measure performance. The funds have been managed by P-Solve since quarter 4 of 2014. During the first full quarter ending 31 March 2015, the Investment Fund returned 6.35% against an objective of 4.55%.

The Matching Fund returned 3.80% in line with the objective of 3.80%. The Combined Funds returned 5.29% against an objective of 4.25%.

### Membership

The chart below shows membership of the DB Section of the Scheme at 31 March 2015. Figures from 2014 have been included for comparison. After the closure of the DB Section on 30 June 2009, there are no active members, only deferred and pensioner members.



# ➤ 2015 Summary Funding Statement

The Trustees are required by law to give members of the DB Section of the Scheme a Summary Funding Statement following each actuarial valuation or actuarial report on funding, which covers specific aspects of the Scheme's current funding position. This is an updated Summary Funding Statement for 2015, which provides members with the latest information on the Scheme's funding position. The statement is based on the actuarial report recently received by the Trustees setting out the funding position as at 31 March 2015. The Summary Funding Statement provided last year set out the results of the 2014 actuarial report for the Scheme.

## How the FDR Limited Pension Scheme works

A DB scheme operates with a single common fund for investments into which all contributions are paid and from which all benefits are payable. The Trustees obtain an actuarial valuation of the Scheme at least once every three years from an independent actuary which has two main purposes:

1. to compare the value of the benefits already earned by members in the Scheme with the assets built up from contributions and past investment returns; and
2. to determine the level of contributions required to meet future benefit payments taking into account the result of 1.



# 2015 Summary Funding Statement (continued)

## Actuarial report as at 31 March 2015

The 2015 actuarial report was based on an approximate update of the actuarial valuation completed at 31 March 2013. The result of the update for the Scheme was:

Total value of the benefits earned	£652m
Market value of the assets held	£586m
Shortfall	£66m
Funding level (assets/value of benefits)	90%

The funding level deteriorated from 94% as at 31 March 2014 to 90% as at 31 March 2015 primarily as a result of a worsening of financial conditions, in particular a reduction in yields on government bonds, which has resulted in an increase in the value of the DB Section liabilities.

This has been partially offset by deficiency contributions being paid by the Employer and an increase in the market value of assets over the period.

## Actuarial valuation as at 31 March 2013

As a reminder, the latest actuarial valuation was completed at 31 March 2013. The result of that valuation for the Scheme was:

Total value of the benefits earned	£554m
Market value of the assets held	£473m
Shortfall	£81m
Funding level (assets/value of benefits)	85%

## What is our recovery plan?

The valuation shortfall of £81 million is expected to be met by a combination of deficiency contributions and investment returns on the assets as at 31 March 2013. The deficiency contributions payable this Scheme year (April 2015 to March 2016) are £5 million and those payable in later years are summarised in the schedule on page 8. The contributions in the schedule (and investment returns) are expected, based on the financial position at the valuation date, to clear the deficit by 29 February 2024. As the Scheme is closed, the Employer and members do not pay contributions in respect of future accruals, but the Employer continues to pay the cost of enhanced benefits for employed members on death in service in addition to the deficiency contributions.

The next actuarial valuation is due as at 31 March 2016 and the results of this valuation will be published in the 2017 newsletter.

# › 2015 Summary Funding Statement (continued)

## Investment Strategy

At 31 March 2015, the Scheme had a strategic allocation of 60% of its assets to an Investment Fund and 40% of its assets to a Matching Fund to achieve its overall target return.

A breakdown of the asset classes at 31 March 2015 is set out on page 3.

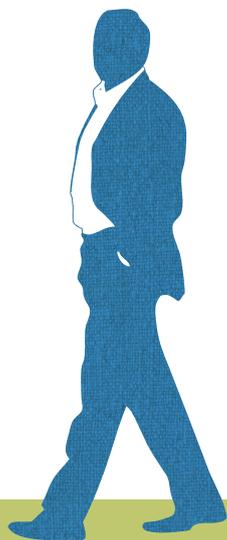
The Trustees are continuing to keep the investment strategy under review, in consultation with FDR Limited

## Leaving the Scheme?

If you are considering leaving the Scheme as a result of the funding position you should seek advice from an independent financial adviser (IFA). To find an IFA in your area, visit [www.unbiased.co.uk](http://www.unbiased.co.uk). Some advisers may charge for their advice so be sure to check with them first.

## The importance of FDR Limited's support

FDR Limited continues to support the Scheme. This is important because the Scheme needs its support and contributions to make good the funding shortfall. Therefore, even though the funding level is temporarily below 100%, benefits can continue to be paid in full. In addition, First Data Corporation provides a guarantee that FDR Limited will meet its obligations, subject to a guaranteed amount of up to £143 million.



# ➤ 2015 Summary Funding Statement (continued)

## What would happen if the Scheme wound up?

The Trustees are also required by law to tell you what the financial position of the Scheme would be on wind up, even though FDR Limited has no intention of winding up the Scheme.

If the Scheme was wound up, FDR Limited would have to pay enough money into the Scheme to secure benefits with an insurance company. This would be more expensive than the value of benefits calculated in the valuation. This is because insurers have to take a very cautious view of the future and need to make a profit as well as maintaining a statutory solvency margin. By contrast, the Trustees' funding plan, which is in line with good practice and pensions law, assumes that FDR Limited will continue in business and support the Scheme.

At March 2013, the Scheme's assets were estimated to be sufficient to provide around 62% of the money needed to secure benefits with an insurance company. However, if FDR Limited became insolvent then there may not be funds available to make up the assets to the full cost of securing benefits with an insurance company. The Trustees or the Pensions Regulator would then go to the Pension Protection Fund (PPF) to see if it might take over the Scheme and pay compensation to members.

The PPF does not provide full protection, so members may still see some reduction in their benefits if the PPF were to provide compensation. More information about the PPF compensation is available on its website at [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk), or you can write to the PPF at:

Renaissance  
12 Dingwall Road  
Croydon  
Surrey  
CR0 2NA

## Summary of deficiency contributions payable by FDR Limited from 1 April 2015

FDR Limited will pay deficiency contributions to the Scheme at the following rates, payable in equal monthly instalments and adjusted pro-rata for part years:

- £5 million a year in the period 1 April 2015 to 29 February 2024

## Additional disclosure notes required by the Scheme Funding Regulations

No payments have been made or are due to be made from the Scheme to FDR Limited.

The Scheme has not been modified nor had any directions or a revised Schedule of Contributions imposed upon it by the Pensions Regulator.

## More information about funding

If you would like a copy of the 2013 actuarial valuation or the 2014 or 2015 actuarial report, please contact:

Andrew Smith, Secretary to the Trustees, FDR Limited Pension Scheme, c/o Capita, 65 Gresham Street, London, EC2V 7NQ.

You may also request copies of the following documents: Schedule of Contributions, Recovery Plan, Statement of Funding Principles, Statement of Investment Principles, amongst others.

**It is important to inform the Trustees of any change of address or marital status. Please notify the Trustees of any changes using the contact details shown at the back of this newsletter.**



## Changes to how much you can save into pensions

### Changes to the Lifetime Allowance

From 6 April 2016, the Lifetime Allowance is reducing from £1.25 million to £1.0 million.

The Lifetime Allowance is the maximum amount you can save into pension schemes over your lifetime before it becomes subject to tax charges. The Lifetime Allowance applies to all pension schemes that you have savings in (excluding the State Pension), and not just the FDR Limited Pension Scheme.

Most people will not be affected by this change, but if you think you might be you should speak to an independent financial adviser. If you don't already have one, you can find one in your area by visiting [www.unbiased.co.uk](http://www.unbiased.co.uk)

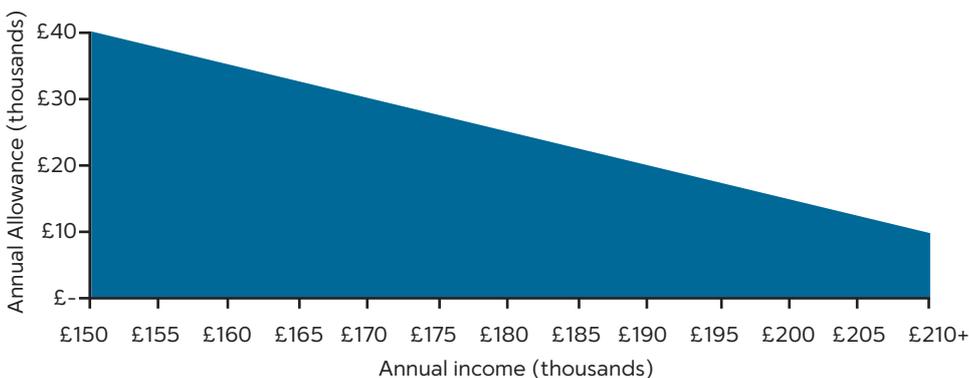
### Changes to the Annual Allowance

The standard Annual Allowance is currently £40,000 per year, and this remains unchanged. The Annual Allowance is the limit on what you can save into all your pension schemes in any one tax year, including employer contributions.

However, from April 2016, the Government is introducing a Tapered Annual Allowance which is likely to affect anyone whose income is over £110,000 per year.

The Tapered Annual Allowance will effectively reduce the Annual Allowance by £1 for every £2 of income between £150,000 and £210,000. For the purposes of the Tapered Annual Allowance, 'income' includes any earnings from your salary, pensions, share dividends and rental income, amongst others.

The table below shows how the Annual Allowance might be affected:



# ➤ Pension news (continued)

## Single Tier State Pension

In the last edition of Know Your Pension we told you about the new, single tier State Pension.

This new State Pension will come into effect on 6 April 2016, and if you reach your State Pension Age on or after that date you will be affected. If you reach your State Pension Age on or before 5 April 2016, you will receive the current State Pension.

### To qualify:

To receive the maximum State Pension you must have at least 35 years' of National Insurance contributions (NICs). From 6 April 2016, the maximum State Pension is £155.65 per week.

You must have at least 10 years' NICs to be able to qualify to receive any State Pension. If you have more than 10 years' but less than 35 years' NICs, you will receive a pro-rated amount based on your actual NICs.

If you have less than 10 years' NICs built up by the time you reach State Pension Age, then you will not qualify for the new State Pension.

### What else has changed?

One of the major changes is that you can only earn your own State Pension; you cannot inherit a spouse or civil partner's State Pension following their death.



## Have you visited the new website yet?

Earlier this year, we introduced the new website for members of the FDR Limited Pension Scheme, which you can view anywhere and at anytime by visiting [www.fdrlimitedpensionscheme.com/db](http://www.fdrlimitedpensionscheme.com/db). From here, you'll be able to access the DB section of the site, which you'll be able to use like a Scheme booklet, where you can find out information about the Scheme, including what to do when you retire, or what happens if you were to die.

You'll also be able to find out about how to invest the contributions you've paid in, view a library of useful documents (including old editions of Know Your Pension) and find out who you should contact if you have any queries about the Scheme or pensions in general.

And, if you haven't already, you can also sign up to receive a digital copy of future editions of this newsletter instead of receiving a print version. You'll receive it on the day it's published, rather than having to wait for a copy to come to you through the post.

So visit [www.fdrlimitedpensionscheme.com/db](http://www.fdrlimitedpensionscheme.com/db) today to find out more!



## ➤ Important information regarding Pension Increases

**The following information is relevant to any pensioner or deferred member who joined the Scheme before 20 June 1991.**

In the 2015 newsletter we told you about an ongoing case hearing which arose as a result of increases being incorrectly applied to pension earned in the Scheme before 20 June 1991.

The hearing has now taken place, and a judgement was received in October 2015. However, the Company have applied to the Court of Appeal for leave to appeal and this has been granted. The process for taking the case to appeal has now commenced but it is likely to be several months before the case is heard. In the meantime pension increases will continue to be paid on 1 April in line with the existing practice. When the matter is concluded we will let you know the final outcome.

As noted in the last edition of the newsletter, the term office for the member nominated trustees has been extended. Once the court case is finalised members will be invited to make nominations for the next term of office. The next nomination process will take place within six months of the case being resolved or two years after the expiry of the current term of office if sooner.

## ➤ Trustee news

The Scheme is looked after by the Trustees, who take responsibility for managing the Scheme conscientiously and in the best interests of members and beneficiaries.

At 31 March 2015, the Trustees were:

**Employer-nominated Trustees:** Ty Miller, Keith Rowling, Annelise Fournier

**Member-nominated Trustees:** Peter Motley, Carol Dutton

It is a legal requirement that at least one third of pension scheme trustees are member nominated.

To help with the day-to-day running of the Scheme, and to assist with technical matters, the Trustees make use of specialist advisers. The advisers that the Trustees employ are listed below:

<b>Secretary to the Trustees:</b>	Andrew Smith of Capita
<b>Scheme actuary:</b>	Andrew Barnes FIA of Willis Towers Watson until 31 March 2016 and Jane Curtis FIA of Aon Hewitt from 1 April 2016
<b>Scheme administrator:</b>	Capita
<b>Investment managers:</b>	Legal & General Assurance (Pensions Management) Limited Schroders Investment Management Limited P-Solve
<b>Employer covenant adviser:</b>	Punter Southall
<b>Investment consultant:</b>	P-Solve Investments Limited
<b>AVC providers:</b>	Standard Life Assurance Society
<b>Solicitors:</b>	SNR Denton UK LLP
<b>Auditor:</b>	Ernst & Young LLP
<b>Bankers:</b>	National Westminster Bank Plc



## > Help with questions or problems

If you have any comments or questions, or you are dissatisfied with anything to do with the Scheme, you should contact the Scheme administrator, Capita, whose details are below:

### **The Pensions Advisory Service**

11 Belgrave Road  
London  
SW1V 1RB

Pensions Helpline: 0345 601 2923

Website: [www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

### **The Pensions Regulator**

Napier House  
Trafalgar Place  
Brighton  
BN1 4DW

Telephone: 0345 600 0707

Website: [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

### **The Office of the Pensions Ombudsman**

11 Belgrave Road  
London  
SW1V 1RB

Telephone: 020 7630 2200

Fax: 020 7821 0065

E-mail: [enquiries@pensionsombudsman.org.uk](mailto:enquiries@pensionsombudsman.org.uk)

## > Contact us

If you have any queries about the Scheme or your benefits, you can contact us using the details below:

### **FDR Limited Pension Scheme**

Capita  
Hartshead House  
2 Cutlers Gate  
Sheffield  
S4 7TL

Email at: [fdr@capita.co.uk](mailto:fdr@capita.co.uk)

Pensions helpline: 0345 604 5316

Or visit the website at: [www.fdrlimitedpensionscheme.com/db](http://www.fdrlimitedpensionscheme.com/db)